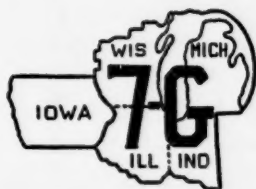


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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DISTRICT SUMMARY

SEVENTH district business has continued in recent weeks to show recession, both with respect to the manufacture and sale of goods. For the most part the level of industrial activity is noticeably under that prevailing in the closing months of 1936, and retail trade has fallen below the year-ago volume. There are indications, however, that inventories in several phases have been reduced to a point where replacements may be necessary before many months.

Steel mills of the Chicago district were operating at a low rate in the middle of December, with little new business in immediate prospect. Output during November of steel and malleable castings, stoves and furnaces, furniture, paper, and shoes fell below that for October and was smaller than a year ago. Building construction declined from a month earlier and from last November, as did the movement of building materials. Because of lagging demand, manufacturers of automobiles have curtailed production schedules to a level under that of last year. The volume of employment and payrolls in the district was reduced sharply between mid-October and November 15.

Production of packing-house commodities continued to expand in November but declined from the month in 1936, and the manufacture of butter and of cheese totaled lower

than either a month or a year previous. The distribution of butter, though fractionally smaller than in October, exceeded the year-ago volume, while that of meat products and of cheese showed declines in these comparisons. The movement of corn in November was the heaviest in several years, and the oats movement remained well above average. Although receipts of wheat at interior primary markets fell off from October, reshipments of the grain totaled larger than in over six years.

In line with seasonal trend, in most instances, reporting groups of wholesale and retail trade in the district recorded recessions in business during November from a month earlier. Wholesale trade activity was above that of the corresponding 1936 period, but retail trade failed to equal the year-ago volume. Evidence of a reduction of accumulated inventories was noted in both wholesale and retail phases.

Reporting member banks in the Seventh district had a slightly higher volume of total loans and investments on December 15 than four weeks earlier, a decline in loans being more than offset by an increase in investments. New financing through bankers' acceptances gained further in November, while dealer sales of commercial paper continued to decline.

Credit and Finance

Reserve balances of Seventh district member banks increased over 21 million dollars during the four-week period ended December 15. Instrumental in this rise was a gain of nearly 76 million dollars in funds through financial and commercial transactions with other districts, mainly New York, to a considerable extent counteracted by an excess of Treasury receipts over disbursements of more than 51 millions. This Treasury position resulted from sales of securities during the period and from quarterly income tax collections. Other factors influencing reserves included moderate seasonal increases in reserve bank credit extended and currency in circulation.

Rates charged on demand collateral loans by the larger Chicago and Detroit banks declined fractionally on December 15 from the preceding month's levels, while the opposite trend prevailed for outlying Chicago institutions. Other rates, on the whole, showed little change. The average rate earned during November on total loans and discounts by

the larger Chicago banks was 2.71 per cent as against 2.74 in October. The figure for the same class of banks in Detroit averaged 2.65 per cent, the lowest point reached since January of this year and comparing with 2.67 in October.

New financing through bankers' acceptances by Seventh district accepting banks amounted to 18 per cent more during November than in October—a decidedly greater than seasonal increase—but was 20 per cent under the figure for November 1936. However, new acceptances created in the first fifteen days of December by several large Chicago banks ran about one sixth below the corresponding November period, though over one quarter higher than a year ago. Total bills bought during November increased 43½ per cent over the preceding month, a counterseasonal movement, but showed a 29½ per cent decline when compared with the total for last November. There were no bills sold from the banks' portfolios in November; however, maturities showed a 36½ per cent increase over October, which was partly responsible for a nonseasonal decrease of 2 per cent in holdings at the end of November, despite the increase in purchases. Maturities during November and

holdings on November 30 were 41 and 36 per cent, respectively, lower than the year-ago figures. Outstandings on November 30, which normally rise somewhat, dropped off 3½ per cent from a month earlier and totaled 28 per cent under the same date of 1936. In accordance with the apparent cyclical trend, all phases of activity connected with bankers' acceptances were about 70 per cent below the 1927-36 average for November. The open bill market appeared to be much less active in recent weeks than earlier this fall.

Commercial paper sales by midwestern dealers declined 7 per cent in November from October, or more than seasonally, and recorded an increase of 25 per cent and a decrease of 21½ per cent as compared with November 1936 and the 1927-36 average for the month, respectively. Outstandings on November 30 were 2 per cent lower than on October 30, the seasonal movement showing a slight increase, but totaled 62 per cent over November 30, 1936, and 7 per cent above the ten-year average for the date. Rates remained at the level of the past several months; borrowings on commercial paper declined somewhat from October; and demand for this class of investment was stronger on the part of city banks and showed little change for country banks. Sales during the first half of December were nearly three quarters larger than in the corresponding period of November. Rates tended to soften slightly, and both demand and supply were off, but with the former still running far ahead of the latter.

November and early December continued to be an extremely listless period in the middlewestern bond market. High-grade corporates and municipals showed no price recessions, and in some cases fractional advances were noted. Obligations of a slightly less conservative nature, on the other hand, were in much smaller demand and continued to decline in price, especially railroad bonds. Information received from Chicago bond houses indicated that a generous supply of funds is available for investment, but that all buyers, with the possible exception of insurance companies, appeared to be hesitant. Banks evinced a slight interest in short-term gilt-edged bonds which, however, were quite limited in supply as new corporate issues were negligible and municipal emissions much curtailed.

The 91-day Treasury bills dated December 22 sold at an average rate of .102. The Treasury offered 200 millions of 5-year 1¾% notes and 250 millions of 8-year 2½% bonds, dated December 15, which were heavily oversubscribed. The Chicago Journal of Commerce average of twenty leading stocks on December 21 stood at \$40.07, close to the low for the month to that date.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

	Change from			
	December 15 1937	November 17 1937	December 16 1936	
Total bills and securities.....	\$283	\$ 0	\$ -3	
Bills discounted.....	0	0	0	
Bills bought.....	0	0	0	
U. S. Government securities.....	282	+1	-2	
Total reserves.....	1,818	+42	+90	
Member bank reserve deposits.....	1,013	+22	+31	
All other deposits.....	68	+20	+27	
Federal Reserve notes in circulation..	990	+7	+33	
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	87.8%	0.0*	+0.5*	

*Number of Points.

TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of Treasury checks and of non-transit items drawn on own bank)

	November 1937	November 1936
Total country and city check clearings:		
Pieces.....	10,944,600	9,853,810
Amount.....	\$2,057,263,269	\$1,958,709,436
Daily average clearings:		
Total items cleared—		
Pieces.....	456,025	447,900
Amount.....	\$85,719,303	\$89,032,247
Items drawn on Chicago—		
Pieces.....	71,299	72,586
Amount.....	\$43,720,000	\$46,397,000
Items drawn on Detroit—		
Pieces.....	20,846	21,993
Amount.....	\$10,243,752	\$10,594,396

Agricultural Products

GRAIN MARKETING

Although the movement of wheat continued well in excess of last year, November receipts at interior primary markets in the United States again declined seasonally and remained below the 1927-36 average for the month. On the other hand, reshipments of the grain were the largest since August 1931, totaling about one third higher than the ten-year November average. Wheat exports were again heavy, particularly in comparison with recent years. Under the influence of prevailing conditions in financial and other markets, in addition to some pressure at Liverpool from new crop Australian wheat, prices for No. 2 hard winter wheat for immediate delivery at Chicago ruled easy in the latter half of November and closed the month at \$.95½ and \$.98½. In the first half of December prices firmed considerably, principally because of good export demand and reports of serious damage to the new Argentine crop, and stood at \$1.00¾ and \$1.02¾ on December 15; but later they again showed some softening and were down to \$.96¾ and \$1.01 by December 21. United States visible supplies of wheat declined more than seasonally, and though remaining much larger than a year ago, aggregated on December 18 almost one third less than the 1927-36 average.

The November corn movement was the heaviest for any month since July 1933, and both receipts and shipments at

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	Change from			
	December 15 1937	November 17 1937	December 16 1936	
ASSETS				
Loans and investments—total.....	\$3,000	\$ +5	\$ -17	
Loans—total.....	999	-11	+79	
Commercial, industrial, and agricultural loans:				
On securities.....	50	-2	..*	
Otherwise secured and unsecured.....	560	-11	..*	
Open-market paper.....	50	-4	..*	
Loans to brokers and dealers in securities	49	+5	-1	
Other loans for purchasing or carrying securities.....	90	-1	..*	
Real estate loans.....	87	+1	+15	
Loans to banks.....	5	0	-5	
Other loans:				
On securities.....	47	0	..*	
Otherwise secured and unsecured.....	61	+1	..*	
U. S. Government direct obligations.....	1,412	+7	-225	
Obligations fully guaranteed by U.S.Govt.	196	+8	+30	
Other securities.....	393	+1	-1	
LIABILITIES				
Demand deposits—adjusted.....	2,223	+33	-126	
Time deposits.....	870	-1	-39	
Borrowings.....	0	0	0	

*Not Available.

interior primary centers of accumulation amounted to more than twice the ten-year average for November. Actual exports of corn as well as sales for later export were in good volume. In line with wheat and other commodities, some easiness was displayed in quotations of the grain during the second half of November, but prices of No. 2 yellow corn for current delivery at Chicago rallied from \$.52¾ and \$.54½ on November 30 to \$.59½ and \$.60½ by December 21, bolstered by excellent export sales, moderate country marketings, and the firmness in wheat. Visible supplies of the grain on December 18 stood 40 per cent higher than the 1927-36 average for the period, being half again larger than the month-ago amount and the heaviest since February 1935.

Receipts of oats at interior primary markets declined seasonally in November from October, although there was a counterseasonal rise in reshipments; however, the movement remained well above the ten-year average for November. Exports, after being in sizable volume over most of the autumn period, dropped off toward the end of November. Prices of oats maintained an independent steadiness, and visible supplies receded slightly.

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES (In thousands of bushels)

	November 1937	October 1937	November 1936	November 1927-36 Av.
Wheat:				
Receipts.....	15,924	22,663	10,774	21,898
Shipments.....	31,391	24,394	10,963	23,246
Corn:				
Receipts.....	42,923	17,837	17,715	17,342
Shipments.....	18,740	7,316	5,239	9,170
Oats:				
Receipts.....	6,795	9,263	2,581	6,027
Shipments.....	8,307	7,698	6,398	6,070

MOVEMENT OF LIVESTOCK

November receipts of cattle and calves at public stockyards in the United States were the smallest since July, and those of lambs were below any month subsequent to March. On the other hand, hog marketings totaled the heaviest since January. Cattle, hog, and lamb receipts were under a year ago; those of hogs and lambs continued substantially below the 1927-36 average for the month. An increase in calf marketings was recorded over last November and the ten-year average, and cattle receipts also gained in the latter comparison. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—followed the general trend of market receipts except that the slaughter supply of calves was the lowest since February and 2 per cent below November 1936, while that of lambs about equaled the 1927-36 average for the month. The decrease in November from October in shipments to feed lots was largely seasonal. Cattle and calves continued to move into these areas in considerably

greater volume than shown in the 1932-36 average, but feeder lamb reshipments declined in the comparison.

MEAT PACKING

A lower level of activity than a year ago continued at inspected slaughtering establishments in the United States during November and the first half of December. Though rising 3½ per cent over October to the highest level since January, November production of packing-house commodities aggregated 16½ per cent less than in the 1936 month and 9½ per cent under the 1927-36 average for the period. The tonnage sold decreased 6 per cent in November from October and a year earlier and was 9½ per cent below the ten-year average for November; however, it fell somewhat less than seasonally below the volume of current production. Coincident with the sharp decline from October in the general level of packing-house commodity prices, dollar sales billed to domestic and foreign customers decreased in November to the lowest point since May 1936; they totaled only 3 per cent in excess of the 1927-36 average for the month, were 7½ per cent under last November, and 13½ per cent smaller than in October. Inventories of these commodities in the United States had accumulated slightly less than normally on December 1 over the beginning of November, and were 36 per cent lighter than the 1932-36 average for the date. The month-end payrolls in November evidenced declines from a year earlier not only of 9½ per cent in employees and 13 per cent in hours worked, but also of one per cent in wage payments; however, they showed an increase over October of 3 per cent in workers, 5½ per cent in hours, and 2½ per cent in wage payments.

Shipments for export rose further in November, reflecting principally the heavy forwardings of lard and a pre-Christmas movement of hams to the United Kingdom. The decline in domestic prices was conducive to an improved demand for United States packing-house products—especially lard—in the United Kingdom, Cuba, and Porto Rico. Moreover, a fair to good trade with Czechoslovakia, Venezuela, Costa Rica, and Ecuador was reported. The United Kingdom booked a moderate tonnage of hams for January to July delivery. At times, prices of lard in England ruled slightly above Chicago parity; those of hams were somewhat under this basis. Inventories of United States packing-house commodities in foreign markets—inclusive of stocks in transit—increased on December 1 over the beginning of November, largely owing to a replenishment of consignment lard holdings in the United Kingdom. Imports of animal products into the United States decreased further in November.

LIVESTOCK SLAUGHTER (In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District, November 1937.....	204	645	229	75
Federally Inspected Slaughter, United States:				
November 1937.....	856	3,295	1,321	468
October 1937.....	958	2,711	1,530	525
November 1936.....	988	4,292	1,544	477

AVERAGE PRICES OF LIVESTOCK (Per hundred pounds at Chicago)

	Week Ended December 18 1937	November 1937	Months of October 1937	November 1936
Native Beef Steers (average).....	\$ 8.75	\$10.65	\$12.80	\$10.25
Fat Cows and Heifers.....	7.10	7.10	8.85	7.25
Calves.....	10.15	9.40	9.35	7.50
Hogs (bulk of sales).....	7.80	8.65	10.10	9.45
Lambs.....	9.05	9.60	10.10	8.65

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT (Amounts in millions)

	November 1937	October 1937	November 1936
Chicago.....	\$2,720	—10.8	—10.1
Detroit.....	991	—0.3	+11.6
Milwaukee.....	252	—8.7	—3.3
Indianapolis.....	191	—7.3	+1.3
Total four larger cities.....	\$4,154	—8.2	—4.8
37 smaller cities.....	788	—5.8	+4.8
Total 41 centers.....	\$4,942	—7.8	—3.3

DAIRY PRODUCTS

Declines in the manufacture of dairy products during November were mainly of seasonal character. Butter production in the Seventh district receded 13 per cent from October, and totaled 15 per cent under November 1936 and 12 per cent less than the 1927-36 November average. Though again seasonally much heavier than current production and exceeding the year-ago amount by 7 per cent, the tonnage sold aggregated fractionally under October and $2\frac{1}{2}$ per cent below the ten-year November average. Production in the United States showed about the same recession from October as in the Seventh district, though a smaller decrease from last year and the average. Inventories of the commodity fell off slightly more than is usual over the course of the month, and on December 1 stood 17 million pounds under the 1932-36 average for that date. Butter prices held strong throughout November and showed only a slight easiness in the first three weeks of December.

November production of American cheese in Wisconsin totaled 22 per cent below the October volume and 19 per cent under November 1936, but stood $8\frac{1}{2}$ per cent above the 1927-36 average for the period. Distribution of cheese from primary markets in the State not only fell below current production, but aggregated 30 per cent less than a month previous, $23\frac{1}{2}$ per cent under a year ago, and $13\frac{1}{2}$ per cent below the ten-year average. As a result, United States inventories of cheese diminished less than seasonally from November 1 to December 1, and the excess over the 1932-36 average increased to 8 million pounds. Cheese prices were unchanged during November and off only slightly in the first part of December.

Industrial Employment Conditions

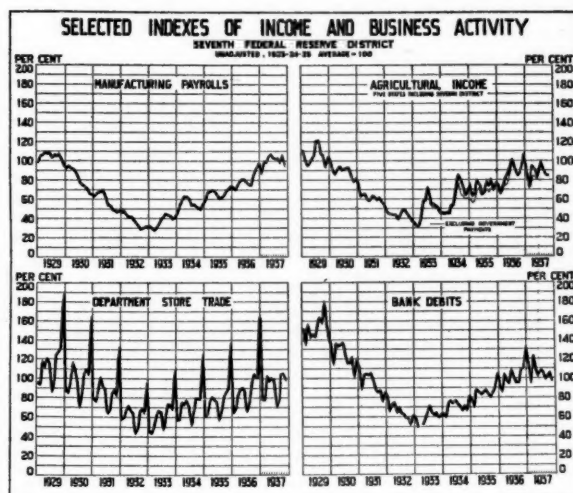
Employment and payroll volumes reported for November by Seventh district industries declined sharply from the preceding month, all five of the States including the district and practically all industrial groups represented in

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of November 15, 1937			Change from October 15, 1937	
	Reporting Firms	Wage Earners	Earnings	Wage Earners	Earnings
	No.	No.	(000 Omitted) \$	%	%
DURABLE GOODS:					
Metals and Products ¹ ...	1,720	470,916	12,706	-4.9	-13.3
Vehicles.....	393	433,024	14,038	-1.3	-8.5
Stone, Clay, and Glass.....	273	22,994	583	-11.1	-11.2
Wood Products.....	459	45,061	917	-6.7	-10.6
Total.....	2,845	971,995	28,244	-3.6	-10.8
NON-DURABLE GOODS:					
Textiles and Products...	393	64,575	1,124	-5.4	-13.4
Food and Products.....	981	113,951	2,965	-2.9	-0.6
Chemical Products.....	288	38,715	1,149	+0.3	-1.5
Leather Products.....	170	28,760	501	-7.5	-19.3
Rubber Products.....	32	18,663	480	-10.5	-15.6
Paper and Printing.....	705	79,058	2,230	-2.3	-3.8
Total.....	2,569	343,722	8,449	-3.7	-5.6
Total Mfg., 10 Groups...	5,414	1,315,717	36,693	-3.6	-9.7
Merchandising ²	5,126	147,946	3,322	-0.8	-1.6
Public Utilities.....	892	111,541	3,789	-1.7	-0.8
Coal Mining.....	23	3,828	93	+11.1	-4.0
Construction.....	368	12,192	355	-1.8	-3.7
Total Non-Mfg., 4 Groups	6,409	275,507	7,559	-1.1	-1.3
Total, 14 Groups.....	11,823	1,591,224	44,252	-3.2	-8.3

¹Other than Vehicles. ²Illinois, Indiana, and Wisconsin.

the returns, contributing to the curtailment. While most of the manufacturing groups had started to reduce operations in October, this trend was not apparent in the aggregates for that month as an unusually heavy expansion in the automobile industry more than counteracted the declines. In November, however, none of the reporting groups, either manufacturing or non-manufacturing, showed a deviation from the prevailing downward trend in payrolls, and except for coal mining and chemicals all contributed to the loss in employment volume. The non-manufacturing industries, which generally show a slight expansion in payrolls at this season of the year—mainly on account of increased activity within the merchandising group—decreased both employment and payroll volumes this November by about one per cent. This decline was considerably less than in the manufacturing groups where losses totaled $3\frac{1}{2}$ per cent in number of wage earners employed and close to 10 per cent in wage payments, the heaviest percentage decreases recorded in any month since last January. Payroll declines within the durable goods industries exceeded those in non-durable goods, while losses in employment were fairly evenly distributed. The trend in the current month contrasts sharply with that of a year ago when both employment and payrolls showed a steady expansion throughout the entire last quarter of the year, despite prevailing strike conditions. The yearly comparison, which has been favorable since June 1933, registered a decline in employment this November of about one per cent, while the increase of 2 per cent in payrolls was the smallest recorded in the period.



Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Most manufacturers of automobiles curtailed production schedules in November, as the retail demand for new cars lagged, and continued this policy into December, with the result that aggregate output for November failed to equal the year-ago volume and estimated December production is considerably below the high level reached last December. Data for November show that new passenger cars produced in the United States numbered 295,328, or one per

cent less than in October and 13 per cent below the corresponding 1936 period, while truck output of 64,735 vehicles increased 107 and 20 per cent in the respective comparisons.

The number of new automobiles sold, at both wholesale and retail, during November in this district amounted to less than two thirds that of last November, and sales dropped off noticeably from the October volume, whereas last year a sharp increase took place in the period. Stocks in dealers' hands rose further and remained more than double those of a year ago, although the margin of excess was narrowed somewhat. Used-car sales in November fell off to a lesser extent and showed a smaller decline from November 1936 than did new-car sales. The salable number of used cars on hand continued to increase but was only 10 per cent greater than a year ago.

IRON AND STEEL PRODUCTS

Steel mills of the Chicago district were operating at an even lower level in the middle of December than a month previous, the average rate of steel ingot output being only 24 per cent of capacity and the lightest in several years. Demand continued to decline through November, and there appeared to be no prospect of an upturn in the near-term future. However, there is evidence that consumer stocks are being reduced to a point where replacements may be necessary before many months. Production of pig iron in the Illinois and Indiana district again fell off sharply in November and was much below a year ago. After having declined steadily from mid-summer until late in November, scrap iron and steel prices advanced in the middle of December.

Incoming orders at Seventh district foundries during November reflected a continued recession in demand, tonnage booked totaling less than in October by 20 per cent for steel and 19 per cent for malleable castings. Production and shipments likewise showed further curtailments, the declines in the former item amounting to 25 per cent each and in the latter to 16 and 13 per cent, respectively. The current tonnages showed even greater losses from a year ago than a month earlier in practically all instances. An exception was furnished by shipments of steel castings which were only 19 per cent under last November, as against a difference of 28 per cent in October. The heaviest declines from 1936 volumes were those recorded in orders booked and amounting to 68 per cent for steel and 59 per cent for malleable castings.

Shipments of stoves and furnaces decreased 33 per cent during November, an average decline for the month according to data for the years 1927 through 1936. Orders accepted and molding-room operations were each about 25 per cent less than in the preceding month. All items continued on a lower level than in the corresponding period a year ago, the difference being about as large as a month earlier in shipments but greater in orders and operations. Inventories declined very slightly during the month but were only 62 per cent heavier than last year at the time, in contrast to an accumulation of over 100 per cent at the close of October.

PAPER AND PULP

A compilation of reports from Seventh district firms indicates a decided drop during November in activity and new business of both pulp and paper mills. These industries operated at little better than three-fourths capacity over the month, which rate is considerably below a month previous or November 1936.

PAPER AND PULP INDUSTRY SEVENTH DISTRICT

	November 1937 Per Cent of Increase or Decrease from	
	October 1937	November 1936
Paper:		
New orders booked (tons).....	-23.1	-40.2
New orders booked (dollars).....	-35.3	-34.1
Total shipments (tons).....	-6.9	-18.4
Total shipments (dollars).....	-8.8	-6.6
Total production (tons).....	-8.8	-21.1
Stocks on hand at close of month (tons).....	+21.4	+54.1
Pulp:		
Pulp produced (tons).....	-7.9	-14.3
Stock on hand at close of month (tons).....	+4.7	+52.5

FURNITURE

Little betterment was noted during November in conditions prevailing in the furniture industry of the Seventh district, as orders booked by reporting firms declined more than seasonally from October and were much below the volume of a year ago and the 1927-36 average for November. The decrease from the preceding month amounted to 19 per cent, as against one of only 11 per cent in the average, while declines from last November and the ten-year average aggregated 36 and 12 per cent, respectively. Shipments, which fell off 17 per cent in the current period, showed a somewhat less than seasonal recession and about equaled the 1927-36 November average, but totaled 18 per cent below a year ago. Unfilled orders were reduced 23 per cent during the month and were 37 per cent under

MIDWEST DISTRIBUTION OF AUTOMOBILES

	November 1937 Per Cent Change from		Companies Included
	October 1937	November 1936	
New Cars:			
Wholesale—			
Number Sold.....	—25.7	—37.9	15
Value.....	—17.5	—19.7	15
Retail—			
Number Sold.....	—21.2	—35.4	28
Value.....	—16.4	—24.9	28
On Hand End of Month—			
Number.....	+8.0	+108.2	28
Value.....	+13.3	+116.1	28
Used Cars:			
Number Sold.....	—13.1	—12.3	28
Salable on Hand—			
Number.....	+6.8	+10.2	28
Value.....	+5.4	+24.2	28

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	November 1937 Per Cent Change from		Number of Firms or Yards
	October 1937	November 1936	
Wholesale Lumber:			
Sales in Dollars.....	—29.0	—16.6	9
Sales in Board Feet.....	—25.9	—23.3	7
Accounts Outstanding ¹	—14.1	—11.5	9
Retail Building Materials:			
Total Sales in Dollars.....	—20.2	—5.4	121
Lumber Sales in Dollars.....	—18.3	—5.4	78
Lumber Sales in Board Feet.....	—19.9	+4.8	50
Accounts Outstanding ¹	—9.6	+2.1	118
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
	November 1937	October 1937	November 1936
Wholesale Trade.....	165.3	137.1	156.1
Retail Trade.....	277.9	238.4	254.8

¹End of Month.

those on November 30 last year, although their ratio to new orders of 108 per cent closely approximated that for the month in 1936. There was a further curtailment of factory operations in November to 66 per cent of capacity, this rate representing a decline of 7 points from October and of 18 points from November a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

Operations in Seventh district shoe factories followed the customary seasonal trend toward the close of the year, preliminary figures for November indicating a recession of approximately 30 per cent from the preceding month. Output, however, has been below the level of a year earlier since last July, previous to which month it averaged close to 25 per cent heavier than in 1936. Despite this unfavorable trend in recent months, production for the year to date remains higher than a year ago by about 6 per cent. Production and shipments of leather also registered a substantial decrease in November, increasing the spread between current and last year's volumes. Prices of hides and leather products declined almost 6 per cent between the last week of October and the corresponding period in November, according to the wholesale price indexes compiled by the United States Bureau of Labor Statistics. The decline brought current quotations down to a level only about one per cent above that prevailing at the same time a year ago.

Building Materials, Construction Work

With the advance of the winter season and the resultant curtailment in construction activity throughout the Seventh district, there was a corresponding contraction in demand for building materials. Sales of lumber by wholesalers and manufacturers totaled less in November than in October by close to 30 per cent, and for the first time this year fell definitely below the corresponding volume of a year ago. Retail sales of lumber likewise registered a marked recession in November but continued to show a small favorable margin over last year, when measured in board-foot volume. The decline at retail was about seasonal in extent, according to the average for the ten years preceding, but at wholesale it exceeded this average. Collections during the month were fair, and substantial reductions were effected in the volume of outstanding accounts which, nevertheless, were heavier in ratio to sales than was the case either a month or a year earlier. Preliminary reports on shipments of cement from mills located within the district indicate a curtailment of close to 50 per cent during November, which is practically the same as the average decline recorded for the years 1927-36. The current volume, however, on the basis of these reports is approximately 15 per cent lower than at the same time in 1936, as well as practically that percentage under the average volume for November. Brick deliveries also continued to decline seasonally in

November, with the volume considerably smaller than either a year ago or the estimated normal.

BUILDING CONSTRUCTION

The volume of building in the Seventh Federal Reserve district dropped off rather noticeably in November, in accordance with seasonal trend, and was much smaller than in November last year. Contracts awarded during the current period totaled the smallest of the year so far and less than for any month since February 1936. Residential building in the month amounted to 27 per cent of total building, which ratio is very slightly greater than that for November a year ago.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
November 1937.....	\$28,146,800	\$7,656,400
Change from October 1937.....	-28.7%	-30.0%
Change from November 1936.....	-21.1%	-18.1%
First eleven months of 1937.....	\$465,018,100	\$127,784,900
Change from same period 1936.....	+7.2%	+17.1%

*Data furnished by F. W. Dodge Corporation.

There was a continued decline during November in the number and estimated cost of building permits issued in 98 cities of the district, the decreases from October amounting to 24 and 20 per cent, respectively. As compared with last November, the number of permits showed a 7 per cent increase and their value a 5 per cent decline. Chicago, Indianapolis, Milwaukee, and the smaller cities of Wisconsin furnished exceptions to the downward trend in estimated cost from the preceding month, while Indianapolis and the smaller cities of Illinois and Iowa were exceptions in the yearly comparison.

Merchandising

As is customary, sales in reporting lines of wholesale trade declined this November from the preceding month. The recessions of 6 and 4 per cent each in the grocery and drug trades were somewhat less than seasonal for the period, while the decreases of 13 per cent in electrical supplies and 24 per cent in hardware sales were greater than in the 1927-36 November average. The gain of only 3 per cent over last November in the hardware trade was the smallest in the yearly comparison since June 1934, and most firms had a lower volume of sales than in November a year ago; but the increase of 4 per cent in groceries was in contrast to a decline shown for October, that of 7½ per cent in electrical supplies approximated that of a month previous, and the gain of 6 per cent in the drug trade compared with one of 8 per cent in October. Sales in the

DEPARTMENT STORE TRADE IN NOVEMBER 1937

Locality	Per Cent Change November 1937 from November 1936		Per Cent Change First Eleven Months 1937 from Same Period 1936		Ratio of November Collections to Accounts Outstanding End of October	
	Net Sales	Stocks End of Month	Net Sales		1937	1936
Chicago.....	-2.6	+12.3	+8.6		31.3	34.1
Detroit.....	+0.3	+16.6	+10.7		46.1	47.8
Indianapolis.....	+0.6	+20.3	+12.4		42.8	46.7
Milwaukee.....	-2.8	-0.1	+9.5		38.6	39.4
Other Cities.....	+2.0	+6.9	+7.9		35.0	35.7
7th District.....	-1.1	+11.1	+9.2		37.9	39.6

WHOLESALE TRADE IN NOVEMBER 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries.....	+3.7	-7.2	+0.2	+8.3	83.1
Hardware.....	+3.3	+21.0	+13.0	+12.5	194.6
Drugs.....	+6.0	+8.7			
Electrical Supplies...	+7.4	+29.8	+15.8	+29.1	147.6

*Data furnished by U. S. Department of Commerce.

eleven months of 1937 totaled heavier than in the same period of 1936 by 5 per cent in groceries, 10 per cent in drugs, 20 per cent in hardware, and 34 per cent in electrical supplies. The tendency to reduce stocks continued except in the drug trade, as grocery firms recorded a greater decline from last year's level than in October, the margin of gain in hardware stocks again was narrowed, and the increase over a year ago in stocks of electrical supplies was smaller than a month earlier. Although stocks of drugs declined 2 per cent between the close of October and November 30, they exceeded those on the date last year by 9 per cent, whereas a month previous they were slightly smaller than in 1936.

With sales of Milwaukee and Chicago department stores showing declines in the comparison, the aggregate dollar value of Seventh district department store trade recorded a decrease of one per cent in November from a year ago, although business in Detroit, Indianapolis, and the smaller cities gained slightly over last November. Because of one more trading day in the 1937 period than in 1936, daily average sales for the district declined 5 per cent from a year earlier. Indianapolis, Milwaukee, and the smaller cities experienced rather substantial recessions in department store business from October, so that the district total registered a somewhat greater than seasonal decline of 6 per cent in the period. Stocks rose slightly less than is usual in November, and at the end of the month exceeded

those on the same date of 1936 by only 11 per cent, as against a 16 per cent excess at the close of October.

Sales of shoes by reporting dealers and department stores fell off 12½ per cent in November from October, whereas the 1927-36 average for the period shows a small increase. Furthermore, as compared with last November, the current volume totaled 2 per cent smaller. Through November, sales for the year exceeded those in the same eleven months of 1936 by 9 per cent. A small decline took place in stocks between the close of October and November 30; they aggregated 15 per cent heavier than a year ago, as against an 18 per cent increase recorded in a similar comparison for October.

For the second consecutive month, the dollar volume of furniture and housefurnishings sold by dealers and department stores showed a decline—6 per cent—during November from the corresponding 1936 period, although the recession of 13 per cent from the preceding month was about seasonal for November. Dealer sales decreased 13 per cent from last year, while the volume sold by department stores recorded a 4 per cent decline; sales by dealers dropped off 17 per cent from October and those by department stores 12 per cent. Dealers' stocks declined somewhat during November, while department store stocks increased, with the total registering a one-half per cent rise over the end of October. As compared with a year ago, inventories were 16 per cent heavier at the close of this November.

MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

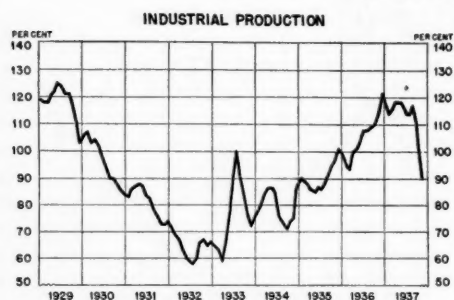
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Nov. 1937	Oct. 1937	Sept. 1937	Aug. 1937	July 1937	June 1937	Nov. 1936	Oct. 1936	Sept. 1936	Aug. 1936	July 1936	June 1936
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	86	100	100	98	98	99	93	99	97	94	91	91
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	58	70	96	115	111	125	57	74	85	86	77	74
In Tons.....	12	47	58	86	107	107	122	59	76	94	96	85	80
Malleable—In Dollars.....	21	55	64	76	71	65	89	55	56	50	48	53	56
In Tons.....	21	67	77	92	85	80	109	80	80	73	69	77	82
Stoves and Furnaces—													
Shipments (in dollars).....	9	162	241	245	175	138	161	211	288	219	154	143	158
Furniture—													
Orders (in dollars).....	12	52	65	76	82	94	67	81	84	89	89	100	60
Shipments (in dollars).....	12	63	77	84	83	66	72	75	91	79	72	65	61
Output of Butter by Creameries—													
Production.....	59	75	86	92	111	131	149	88	104	103	101	114	145
Sales.....	61	101	101	122	126	133	144	94	106	104	98	111	134
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	66	72	81	72	77	72	65	73	72	75	83	68
Hardware.....	11	88	116	115	101	108	112	85	108	96	84	90	94
Drugs.....	13	88	94	91	79	79	85	80	89	83	73	74	75
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	94	98	91	75	66	97	98	98	86	72	63	87
Detroit.....	6	117	123	151	87	84	111	117	117	139	84	74	96
Milwaukee.....	5	102	118	104	78	76	97	105	118	94	77	68	87
Other Cities.....	44	97	107	99	78	67	90	94	103	89	74	62	82
Seventh District—Unadjusted.....	84	100	106	105	78	70	98	101	104	97	75	65	88
Adjusted.....	84	92	96	102	95	98	100	93	95	95	91	91	89
Automobile Production—(U. S.)—													
Passenger Cars.....		101	102	41	106	123	140	116	65	31	72	127	128
Trucks.....		172	83	139	220	209	228	143	91	120	164	183	206
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....		26	37	34	32	51	57	32	40	39	59	36	43
Total.....		41	58	57	65	77	81	52	56	54	77	72	58
Pig Iron Production*—													
Illinois and Indiana.....		68	98	134	134	127	118	109	108	103	97	101	101

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

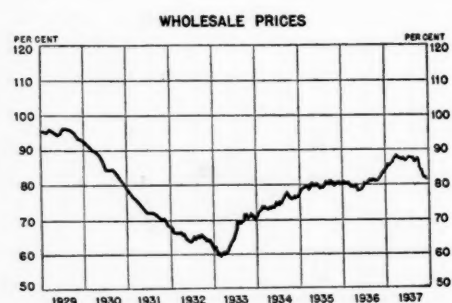
(By the Board of Governors of the Federal Reserve System)



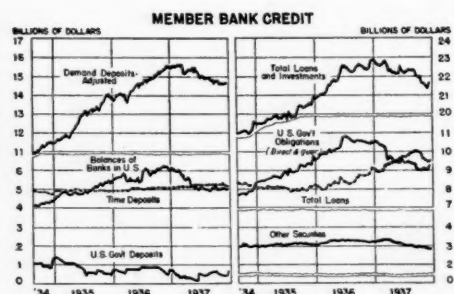
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1929 to November 1937.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average = 100. By months, January 1929 to November 1937. Indexes compiled by the United States Bureau of Labor Statistics.



Index compiled by the United States Bureau of Labor Statistics, 1926 = 100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending December 18, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to December 15, 1937.

IN November, volume of industrial production continued to decline sharply, and employment and payrolls also decreased. During the first half of November, commercial commodity prices declined further but for the past month they have been steady.

PRODUCTION AND EMPLOYMENT

Volume of industrial output, as measured by the Board's seasonally adjusted index, declined from 103 per cent of the 1923-1925 average in October to 90 per cent in November, reflecting chiefly a sharp reduction in the manufacture of durable goods. There was a further curtailment of activity at steel mills and output for the month was at a rate of 38 per cent of capacity, a decline of one-third from October. In the first three weeks of December steel production was at about 28 per cent of capacity. Output of lumber and plate glass also declined substantially in November, and automobile production showed considerably less than the usual seasonal increase. Production of non-durable goods, which had decreased by a substantial amount earlier this year, declined further in November, reflecting a continued reduction in output of textiles and shoes, partly offset in the total by an increase in activity at sugar refineries. Output of minerals, as well as manufactures, declined in November. There were marked decreases in output of bituminous coal and in iron ore shipments, while crude petroleum production continued in large volume.

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed little change in November and the first half of December. Awards for privately-financed projects declined, reflecting chiefly a further reduction in residential building, while contracts for publicly-financed work increased.

Employment and payrolls at factories showed an unusually sharp decline between the middle of October and the middle of November, and there were decreases also in the number employed in trade and other non-manufacturing lines. The Board's seasonally adjusted index of factory employment was at 94 per cent of the 1923-1925 average in November as compared with a level of 102 last summer and 96 in November last year. In the steel, machinery, lumber, and textile industries the number employed decreased by substantially more than the usual seasonal amount, and there was some decline at automobile factories, although an increase is usual at this season. There were declines also in the seasonally adjusted indexes for most other lines, except foods and tobacco which showed little change.

AGRICULTURE

Department of Agriculture estimates recently issued indicate that most crops will be about the same size as forecast earlier but that cash farm income will be lower than had been anticipated, largely because of price declines both for crops and livestock. Cash income in 1937 is expected to be \$8,500,000,000, as compared with \$7,918,000,000 in 1936. The increase over a year ago is due primarily to increased income from marketings of wheat, tobacco, and fruits and to larger Government payments.

DISTRIBUTION

Distribution of commodities to consumers, which earlier had been maintained, declined slightly in November. There was a slight decline in sales at department stores, and mail order sales decreased considerably, while sales at variety stores showed little change. Preliminary information for the first half of December indicates that department store sales increased by approximately the usual seasonal amount.

Freight-car loadings declined by considerably more than the seasonal amount in November and the Board's adjusted index for that month was 71 per cent of the 1923-1925 average as compared with 76 per cent in October and an average of 81 per cent in the first half of the year. The decline from October to November reflected principally marked decreases in loadings of coal and miscellaneous freight.

COMMODITY PRICES

The general level of wholesale commodity prices, which had declined sharply from the latter part of September to the third week of November, has shown little change since that time. Prices of nonferrous metals, leather, wool, textile yarns, and finished cotton goods have declined somewhat further in this period, while steel scrap, hides, rubber, cotton, print cloths, and bituminous coal have recently shown some advance.

BANK CREDIT

Excess reserves of member banks showed a small decline but for the first three weeks of December remained somewhat over \$1,000,000,000. The increase in demand for currency during December has been smaller than usual, reflecting largely the effects of the recent sharp decline in business activity and payrolls.

Total loans and investments of reporting member banks in 101 leading cities increased somewhat during the four weeks ending December 15, reflecting a growth of \$190,000,000 in holdings of United States Government obligations, mostly in New York City. A factor in this increase was the purchase by banks of the December 15 issues of Government securities. Commercial loans, which had begun to decline in October, showed a further reduction.

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